

PERAC AUDIT REPORT



Melrose

Contributory Retirement System



JAN. 1, 2011 - DEC. 31, 2013



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATE FITZPATRICK | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. MCCARTHY

February 25, 2015

The Public Employee Retirement Administration Commission has completed an examination of the Melrose Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners James Ryan and Susan Kerr who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDING(S) AND RECOMMENDATION(S)

I. Refunds:

An examination of refunds indicated that interest was incorrect in cases where a member transferred in from another system and was then eligible for a refund with 3% interest. The deductions made at the prior system did not start to receive 3% interest until membership with the Melrose Retirement System commenced.

Recommendation: In these cases the member's Annuity Savings Fund history should be requested from the other system so that 3% interest can be applied for the entire career. Please refer to PERAC Memorandum #31, 2010 which references the 3% interest calculation, and the following training document: <http://www.mass.gov/perac/training/refundstomembers.pdf>.

Board Response:

It is our understanding that our software company now has the capability to apply the 3% interest correctly. The program changes should result in eliminating the possibility of any future incorrect refund calculations.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	\$1,905,054	\$1,674,731	\$979,478
Pooled Alternative Investment Funds	1,395,246	1,464,733	1,768,887
Pooled Real Estate Funds	1,807,062	2,000,137	2,225,877
PRIT Cash Fund	39,652	3,334,667	2,454,870
PRIT Core Fund	64,775,684	53,957,046	48,960,780
Interest Due and Accrued	0	0	0
Accounts Receivable	0	148,607	80,601
Accounts Payable	0	0	0
Total	<u>\$69,922,698</u>	<u>\$62,579,922</u>	<u>\$56,470,494</u>
Fund Balances:			
Annuity Savings Fund	\$18,336,684	\$17,646,740	\$16,545,322
Annuity Reserve Fund	5,149,837	5,144,939	5,310,841
Pension Fund	0	0	0
Military Service Fund	66,154	66,088	63,200
Expense Fund	0	0	0
Pension Reserve Fund	<u>46,370,023</u>	<u>39,722,155</u>	<u>34,551,131</u>
Total	<u>\$69,922,698</u>	<u>\$62,579,922</u>	<u>\$56,470,494</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	\$15,861,510	\$5,498,833	\$0	\$58,525	\$0	\$36,420,512	\$57,839,381
Receipts	1,896,224	161,482	5,164,888	4,675	442,730	(226,200)	7,443,799
Interfund Transfers	(741,121)	741,121	1,643,183	0	0	(1,643,183)	0
Disbursements	(471,291)	(1,090,594)	(6,808,070)		(442,730)	0	(8,812,686)
Ending Balance (2011)	16,545,322	5,310,841	0	63,200	0	34,551,130	56,470,494
Receipts	2,306,005	159,763	5,757,742	2,888	489,489	6,449,154	15,165,040
Interfund Transfers	(777,540)	777,540	1,278,128	0		(1,278,128)	0
Disbursements	(427,047)	(1,103,206)	(7,035,870)	0	(489,489)	0	(9,055,612)
Ending Balance (2012)	17,646,740	5,144,939	(0)	66,088	0	39,722,155	62,579,922
Receipts	2,052,040	157,802	5,582,621	66	550,318	8,396,307	16,739,153
Interfund Transfers	(1,035,130)	1,035,130	1,748,439	0	0	(1,748,439)	0
Disbursements	(326,966)	(1,188,034)	(7,331,060)	0	(550,318)	0	(9,396,377)
Ending Balance (2013)	<u>\$18,336,684</u>	<u>\$5,149,837</u>	<u>(\$0)</u>	<u>\$66,154</u>	<u>\$0</u>	<u>\$46,370,023</u>	<u>\$69,922,698</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Members Deductions	\$1,733,821	\$1,678,434	\$1,612,743
Transfers from Other Systems	260,196	466,991	223,730
Member Make Up Payments and Re-deposits	22,638	28,044	18,704
Member Payments from Rollovers	14,315	109,112	12,352
Investment Income Credited to Member Accounts	<u>21,070</u>	<u>23,424</u>	<u>28,695</u>
Sub Total	<u>2,052,040</u>	<u>2,306,005</u>	<u>1,896,224</u>
Annuity Reserve Fund:			
Recovery of Annuity from Reinstatement	0	0	0
Investment Income Credited to the Annuity Reserve Fund	<u>157,802</u>	<u>159,763</u>	<u>161,482</u>
Sub Total	<u>157,802</u>	<u>159,763</u>	<u>161,482</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	102,309	96,049	88,343
Received from Commonwealth for COLA and Survivor Benefits	63,146	233,166	75,658
Pension Fund Appropriation	5,412,166	5,428,527	5,000,886
Settlement of Workers' Compensation Claims	5,000	0	0
Recovery of Pension from Reinstatement	0	0	0
Recovery of 91A Overearnings	0	0	0
Sub Total	<u>5,582,621</u>	<u>5,757,742</u>	<u>5,164,888</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	2,824	4,558
Investment Income Credited to the Military Service Fund	<u>66</u>	<u>63</u>	<u>117</u>
Sub Total	<u>66</u>	<u>2,888</u>	<u>4,675</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>550,318</u>	<u>489,489</u>	<u>442,730</u>
Sub Total	<u>550,318</u>	<u>489,489</u>	<u>442,730</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	0	0	0
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	493	3,041	1,294
Miscellaneous Income	0	0	3,357
Excess Investment Income	<u>8,395,814</u>	<u>6,446,113</u>	<u>(230,850)</u>
Sub Total	<u>8,396,307</u>	<u>6,449,154</u>	<u>(226,200)</u>
Total Receipts, Net	<u>\$16,739,153</u>	<u>\$15,165,040</u>	<u>\$7,443,799</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	\$164,265	\$220,598	\$152,164
Transfers to Other Systems	<u>162,701</u>	<u>206,449</u>	<u>319,128</u>
Sub Total	<u>326,966</u>	<u>427,047</u>	<u>471,291</u>
Annuity Reserve Fund:			
Annuities Paid	1,188,034	1,103,206	1,090,594
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,188,034</u>	<u>1,103,206</u>	<u>1,090,594</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,087,072	4,868,838	4,698,897
Survivorship Payments	427,704	423,814	414,323
Ordinary Disability Payments	171,149	162,375	166,977
Accidental Disability Payments	1,117,530	1,099,462	1,110,722
Accidental Death Payments	287,893	274,874	227,307
Section 101 Benefits	53,488	46,682	45,503
3 (8) (c) Reimbursements to Other Systems	<u>186,225</u>	<u>159,825</u>	<u>144,341</u>
Sub Total	<u>7,331,060</u>	<u>7,035,870</u>	<u>6,808,070</u>
Expense Fund:			
Board Member Stipend	13,333	16,000	16,000
Salaries	107,750	115,243	100,499
Legal Expenses	5,376	454	775
Medical Expenses	0	91	161
Travel Expenses	2,328	1,697	1,940
Administrative Expenses	7,240	5,103	8,503
Professional Services	16,790	9,350	0
Education and Training	1,607	1,877	1,064
Furniture and Equipment	549	749	0
Management Fees	357,846	302,445	278,437
Consultant Fees	11,000	11,000	11,000
Service Contracts	21,273	20,260	19,300
Fiduciary Insurance	<u>5,225</u>	<u>5,218</u>	<u>5,052</u>
Sub Total	<u>550,318</u>	<u>489,489</u>	<u>442,730</u>
Total Disbursements	<u>\$9,396,377</u>	<u>\$9,055,612</u>	<u>\$8,812,686</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Investment Income Received From:			
Cash	\$1,788	\$2,624	\$1,228
Pooled or Mutual Funds	1,728,825	1,721,351	1,526,785
Total Investment Income	<u>1,730,613</u>	<u>1,723,975</u>	<u>1,528,013</u>
Plus:			
Realized Gains	2,955,734	1,549,925	1,570,207
Unrealized Gains	7,776,089	7,474,548	5,353,330
Interest Due and Accrued - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>10,731,823</u>	<u>9,024,473</u>	<u>6,923,537</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(1,765)	(203,334)	(29,033)
Unrealized Loss	(3,335,601)	(3,426,262)	(8,020,343)
Interest Due and Accrued - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>(3,337,366)</u>	<u>(3,629,596)</u>	<u>(8,049,376)</u>
Net Investment Income	<u>9,125,070</u>	<u>7,118,853</u>	<u>402,174</u>
Income Required:			
Annuity Savings Fund	21,070	23,424	28,695
Annuity Reserve Fund	157,802	159,763	161,482
Military Service Fund	66	63	117
Expense Fund	<u>550,318</u>	<u>489,489</u>	<u>442,730</u>
Total Income Required	<u>729,256</u>	<u>672,740</u>	<u>633,024</u>
Net Investment Income	<u>9,125,070</u>	<u>7,118,853</u>	<u>402,174</u>
Less: Total Income Required	<u>729,256</u>	<u>672,740</u>	<u>633,024</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$8,395,814</u>	<u>\$6,446,113</u>	<u>(\$230,850)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2012		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,905,054	2.7%
Pooled Alternative Investment Funds	1,395,246	2.0%
Pooled Real Estate Funds	1,807,062	2.6%
PRIT Cash Fund	39,652	0.1%
PRIT Core Fund	<u>64,775,684</u>	<u>92.6%</u>
Grand Total	<u>\$69,922,698</u>	<u>100.0%</u>

For the year ending December 31, 2013, the rate of return for the investments of the Melrose Retirement System was 14.52%. For the five-year period ending December 31, 2013, the rate of return for the investments of the Melrose Retirement System averaged 10.93%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Melrose Retirement System was 8.59%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Melrose Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

May 29, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Melrose Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO Non-US Partnership Fund III, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

May 29, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Melrose Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

May 29, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Melrose Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO International Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

May 29, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Melrose Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO Venture Partnership Fund III, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

May 29, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Melrose Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO US Buyouts & Expansion Capital Partnership Fund III, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

May 29, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Melrose Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. Venture Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

June 28, 2001

16.08

1.Exemption of the Board and INVESCO from the second sentence of 840 CMR 17.04(1)(c) – This Regulation deals with the use of non-public information by managers and consultants. PERAC recognizes that, in making the investments contemplated by the INVESCO Funds delineated above, that sentence, which prohibits action until information is publicly disseminated, represents an undue burden on the ability of the Partnerships to operate. Consequently, the Melrose Retirement Board's request as it applies to 840 CMR 17.04(1)(c) is approved.

2.Exemption of the Board and INVESCO from 840 CMR 17.04(6), except as otherwise provided for in the Partnership Agreement and/or as disclosed in INVESCO's Form ADV – This Regulation deals with the Priority of Transactions and an investment manager's obligation to prioritize board transactions and provide the board with the opportunity to act prior to the manager acting, if applicable. PERAC recognizes that this Regulation may impede the ability of partnerships such as INVESCO's to operate. Upon receipt of a copy of the provisions of the Partnership Agreement and/or disclosures in the INVESCO Form ADV, the Commission will approve the Melrose Retirement Board's request as it applies to 840 CMR 17.04(6).

3.Exemption of the Board and INVESCO from 840 CMR 19.01(7)(a)(6) with respect to the management fees and the General Partner's Carried Interest to be received by the manager or the General Partner pursuant to the (a) Subscription Agreement, (b) Agreement as defined in the side letter, and/or (c) Manager's Investment Advisory Agreement with respect to the Board's commitments to the Partnerships – PERAC recognizes the fact that the market, at the present time, is such that fee limitations, as outlined in these Regulations, result in limiting the number of partnerships available to the retirement boards. Consequently, the Melrose Retirement Board's request, as it applies to 840 CMR 19.01(7)(a)(6), is approved.

4.Exemption of the Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a), 21.01(4), and 21.01(5) to the extent as otherwise permitted under the applicable agreement – These Regulations prohibit certain transactions as follows: 21.01(2) prohibits the sale of securities not owned by the system at the time of the sale (short sales); 21.01(3)(a) permits the use of forward currency contracts in limited circumstances; 21.01(4) prohibits the use of call options; 21.01(5) prohibits the purchase of options other than as required to close out option positions. PERAC has received a letter dated August 22, 2000 from INVESCO that clarifies the possible use of options, futures, or other derivatives. In pertinent part, the letter states as follows:

“Although the above referenced funds do not expect to use options, futures, or other derivatives other than infrequently, if at all, futures and/or options would be used only for nonspeculative true hedging purposes. In general, we would anticipate their use, if at all, for among other reasons to protect downside risk on public securities of companies distributed to the funds by the underlying portfolio funds we invest in and where a commitment to a fund was made in a non US currency to limit currency risk of the funds.”

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

PERAC approves the exemption of the Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a), 21.01(4), and 21.01(5) for the limited purpose of protecting downside risk on public securities of companies distributed to the funds by underlying portfolio funds and to limit currency risk of the funds where a commitment to a fund was made in a non US currency.

Please be advised that this Supplemental Regulation as it exempts the Melrose Retirement Board from PERAC Regulations, only does so in relation to the INVESCO Funds that are the subject of the Supplementary Regulation. In all other circumstances, these Regulations apply to the Melrose Retirement Board.

The Supplementary Regulations approved herein are applicable only to the Melrose Retirement System's investment in the INVESCO Venture Partnership Fund III, L.P. Exemption from the regulations pertaining to prohibited investments is limited to the purpose of protecting downside risk on public securities of companies distributed to the funds by underlying portfolio funds and to limiting currency risk of the funds where a commitment to a fund was made in a non-U.S. currency.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Melrose Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$774.36 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$774.36 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. . Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board primarily relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Melrose Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Creditable Service:

May 10, 2011

Creditable Service Purchase – Installment Policy

Members of the Melrose Retirement Board (sic) will be allowed to purchase up to four years of military service, creditable service for certain periods of non-membership employment (service) for a MA governmental unit in which deductions were NOT taken, and creditable service for previous service with a MA governmental unit in which they received a refund of contributions consistent with the provisions of MA General Law Chapter 32 and PERAC 840 CMR Regulation 15.02.

It the policy of the Melrose Retirement Board to require that any request to purchase applicable creditable service will be paid in either 1 lump sum payment in full OR based on a signed, written (weekly or monthly) installment payment plan submitted by the Member, subject to Board approval, that will pay the necessary amount, including interest, within a maximum 12 month or 52 week period. The Member shall make the payments on a weekly or monthly basis to the Melrose Retirement Board. A Member who sustains or endures a hardship may petition the Board for a period of payment in excess of 12 months or 52 weeks.

If a Member becomes inactive or a non- member (resign, termination, sick etc...) during the installment payment period without making the final payment(s), the creditable service granted will be prorated based on the payments received and the creditable service being purchased. No refunds are allowed after purchasing this creditable service except by a refund of ALL accumulated deductions.

The purchased service time will only be 100% credited upon successful receipt of all installments.

Members may NOT purchase any entire military, buyback, or make-up of creditable service or a portion(s) of creditable service with more than ONE 12 month written (weekly or monthly) installment payment plan.

March 28, 2011

Non-Member Creditable Service Purchase Policy

Members of the Melrose Retirement Board will be allowed to **purchase** creditable service for periods of non-membership employment (service) for a governmental unit in which deductions were NOT taken, consistent with the provisions of MA General Law Chapter 32 and PERAC 840 CMR Regulation 15.02.

For full time Non-Member service, the employee will receive 12 months of creditable service for each year of service purchased.

For part time Non-Member service, it is the policy of the Melrose Retirement Board to calculate the purchased part time creditable service using actual hours worked on a proportional basis of a 40 hour work week, consistent with the Creditable Service and Membership Supplemental Regulations.

November 15, 1985

Part time employees credit will be granted depending on the work history of the employee.

Two categories of employment are considered as follows:

A. Employees in this category will have worked on a less than full time basis throughout their years of service. For this category of employee, credit will be granted on the basis of one year of credit for each year of service. The pension thus computed will be on an equitable basis as a full time employee. The deciding factor in the computation of the pension will be the three-year average earnings.

B. Employees in this category will have worked on both a full time and part time capacity during their years of service. In this category, credit for service will be computed on an individual basis. For the full time service, the employee will receive one year of credit for each year of service. For the part time service, the employee will receive one year of credit for 2 years of part time service. An alternative computation of creditable service will be made by using actual hours worked. This computation will be made using a ratio the dividend of which will represent the hours to be worked. The percentage thus computed will be that portion of a year's credit for the part time work. Any interpretation of this paragraph shall be done on an individual basis by the Board.

Membership:

July 1, 1985

Employees working less than 20 hours per week are ineligible for membership.

Permanent employees working for at least 20 hours per week and less than 35 shall be granted creditable service prated on the basis of a 40- hour week. If employed for at least 20 hours per week, and if this comprises the full time prescribed for the position, said part time employees shall be credited with 12 months membership service (i.e., Traffic Supervisors and School Lunch Employees).

All regular permanent employees who work at least 35 or more hours per week shall be granted creditable service of 12 months for each year of employment.

(The Melrose Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website <http://www.mass.gov/perac/Melrose>).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Cfo Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Patrick D. Dello Russo
Chairman

Appointed Member: Michael Lindstrom Term Expires:
Until a successor is appointed

Elected Member: Michael L. Lyle Term Expires: 12/16/14

Elected Member: Scott Colborne Term Expires: 12/16/16

Appointed Member: Richard E. Pitts Term Expires: 1/2/15

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting Inc. as of January 1, 2013.

The actuarial liability for active members was	\$43,393,906
The actuarial liability for inactive members was	1,260,318
The actuarial liability for retired members was	<u>71,424,257</u>
The total actuarial liability was	\$116,078,481
System assets as of that date were	<u>62,208,163</u>
The unfunded actuarial liability was	<u>\$53,870,318</u>
 The ratio of system's assets to total actuarial liability was	 53.6%
As of that date the total covered employee payroll was	\$17,889,487

The normal cost for employees on that date was 8.9% of payroll

The normal cost for the employer was 3.9% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: Varies by group and union/non-union
 1.25%-3.75 per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2013	\$62,208,163	\$116,078,481	\$53,870,318	53.6%	\$17,889,487	301.1%
1/1/2012	\$62,117,543	\$111,483,035	\$49,365,492	55.7%	\$17,338,642	284.7%
1/1/2010	\$58,281,938	\$106,947,135	\$48,665,197	54.5%	\$16,543,077	294.2%
1/1/2008	\$63,527,582	\$98,380,646	\$34,853,064	64.6%	\$15,463,779	225.4%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	10	12	5	7	7	9	8	10	15	18
Ordinary Disability	2	0	0	0	0	0	0	2	1	0
Accidental Disability	0	0	2	3	3	1	0	0	0	0
Total Retirements	12	12	7	10	10	10	8	12	16	18
 Total Retirees, Beneficiaries and Survivors	389	395	404	408	382	375	373	368	372	376
 Total Active Members	434	449	418	409	403	403	384	435	446	456
Pension Payments										
Superannuation	\$4,045,784	\$4,233,023	\$4,471,997	\$4,409,142	\$4,151,771	\$4,432,830	\$4,534,931	\$4,698,897	\$4,868,838	\$5,087,072
Survivor/Beneficiary Payments	309,779	330,179	340,401	341,746	354,403	362,453	391,813	414,323	423,814	427,704
Ordinary Disability	134,201	119,933	126,035	122,975	129,110	132,203	135,312	166,977	162,375	171,149
Accidental Disability	711,381	765,568	959,899	879,672	1,039,819	1,099,221	1,155,875	1,110,722	1,099,462	1,117,530
Other	<u>356,521</u>	<u>350,812</u>	<u>367,735</u>	<u>355,069</u>	<u>352,488</u>	<u>420,048</u>	<u>406,335</u>	<u>417,151</u>	<u>481,381</u>	<u>527,606</u>
Total Payments for Year	<u>\$5,557,666</u>	<u>\$5,799,515</u>	<u>\$6,266,067</u>	<u>\$6,108,604</u>	<u>\$6,027,591</u>	<u>\$6,446,755</u>	<u>\$6,624,266</u>	<u>\$6,808,070</u>	<u>\$7,035,870</u>	<u>\$7,331,060</u>

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